

## VEC Venture News

### — Latest Quarterly Trend (May 19th, 2016) —

Venture Enterprise Center, Japan (VEC)

### **¥75.6 billion was invested in domestic companies in FY2015. (up 1.9 percent from FY2014)**

Venture Enterprise Center, Japan (VEC) reports on the results of our quarterly survey on venture capital (VC) investments by Japanese VC firms for the first quarter of 2016 (January to March, 2016).

#### **1. Summary of VC investments in domestic companies**

##### **i. VC investments in Q1 2016**

The total amount of VC investments in domestic companies in Q1 2016 was ¥27.1 billion going into 272 deals, a ¥8.6 billion increase and 40 deals increase from the prior quarter (Q4 2015), and a ¥1.8 billion and 45 deals increase compared to the previous year (Q1 2015) (Fig.1).

##### **ii. VC investments in FY2015 [Based on a simple addition of quarterly survey figures]**

The VC investment amount in FY2015 reached ¥75.6 billion with 890 deals, a ¥1.4 billion and 165 deals increase compared to that of FY2014 when ¥74.2 billion was invested in 725 deals (Fig.3).

The amount invested by Innovation Network Corporation of Japan (INCJ) in FY2015 was decreased by ¥7.8 billion\* compared to FY2014 while major VC firms, university-related VC firms and some corporate venture capital made up for the decrease of INCJ.

\* Based on a simple addition of figures in INCJ's press releases. These figures may not correspond to the actual amount invested by INCJ.

#### **2. Industry analysis of domestic investment**

IT related industries accounted for 54.6 percent (the total of 1-4 in Table 2) followed by 15.5 percent of Industrial/Energy/Other industries in Q1 2016. (Table 2 & Fig.5).

#### **3. Stage analysis of domestic investment**

Early stage accounted for 44.6 percent with ¥10.3 billion followed by 26.6 percent with ¥6.2 billion of Expansion stage in Q1 2016 (Table 4 & Fig.7). Early stage showed a significant increase, a ¥4.3 billion up from the prior quarter (up 4.6 percent) (Table 4 & Fig.7).

#### **4. VC investments in overseas companies**

The VC investment amount in overseas companies in Q1 2016 was ¥17.0 billion going into 47 deals, a ¥3.1 billion decrease and 4 deals increase from the prior quarter (Fig.2).

As a result, ¥58.7 billion was invested in overseas companies in FY2015, a ¥15.8 billion increase from the previous year when ¥42.9 billion was invested. The number of deals was 205, a 27 deal decrease from the previous year with 232 deals (Fig.3).

## 5. New VC funds launched

Twelve VC funds were launched with the total fund value of ¥52.2 billion in Q1 2016 (Table 6 & Fig.9). As a result, the total fund value of new funds launched in FY2015 reached ¥172.0 billion, a ¥81.3 billion up from the previous year, showing a significant increase (Table 7).

Regarding the percentage of amount invested in new funds by investor type in Q1 2016, it is worth noting that corporate pension funds invested for the first time in about 4 years (11.2 percent). (Table 8, Fig.10).

\*115 firms that responded to the survey by May 16, 2016 are included in the calculation.

\*The total may not corresponding to the sum of breakdown owing to rounding.

### 1. VC investments in Q1 2016

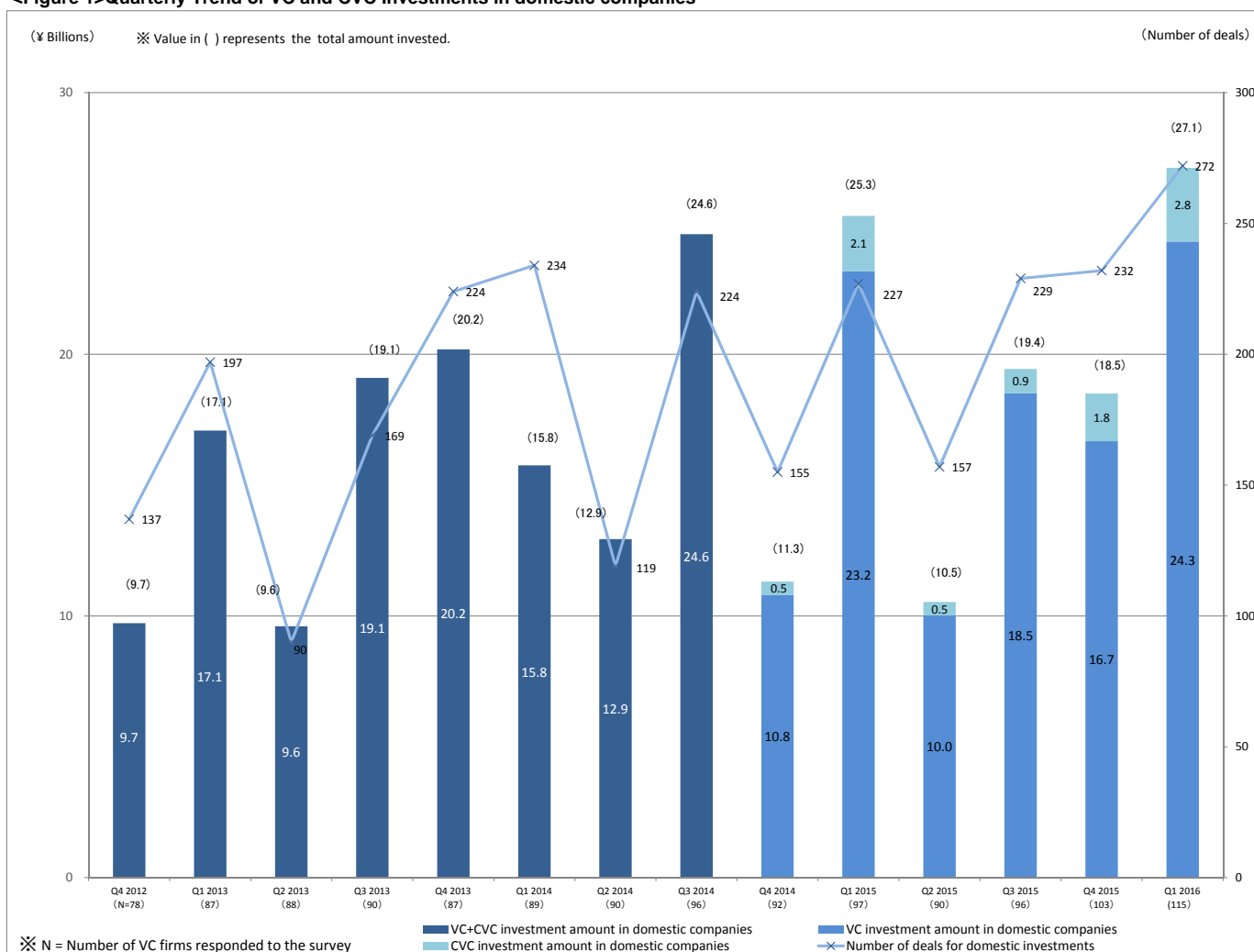
<Table 1>VC investments comparing Q1 2015 and Q1 2016

		Q1 2015				Q1 2016			
		Domestic	Overseas	Total	Number of VC firms that answered the amount "0"	Domestic	Overseas	Total	Number of VC firms that answered the amount "0"
VC (Excl. CVC)	Amount (¥Bil)	23.5	7.3	30.8	39	24.3	12.8	37.1	34
	y/y % change					3.4%	74.6%		
	Number of deals	205	47	252		240	28	268	
	y/y % change				17.1%	-40.4%			
	Per deal (¥Mil)	114.7	156.0	122.4		101.3	457.1	138.5	
CVC	Amount (¥Bil)	3.0	19.4	22.4	12	2.8	4.2	7.0	8
	y/y % change					-7.2%	-78.5%		
	Number of deals	32	18	50		32	19	51	
	y/y % change				0.0%	5.6%			
	Per deal (¥Mil)	95.0	1,075.0	447.8		88.1	218.9	136.9	
VC+CVC Total	Amount (¥Bil)	26.6	26.7	53.2	51	27.1	17.0	44.1	42
	y/y % change					2.2%	-36.4%		
	Number of deals	237	65	302		272	47	319	
	y/y % change				14.8%	-27.7%			
	Per deal (¥Mil)	112.0	410.5	176.3		99.7	360.9	138.2	

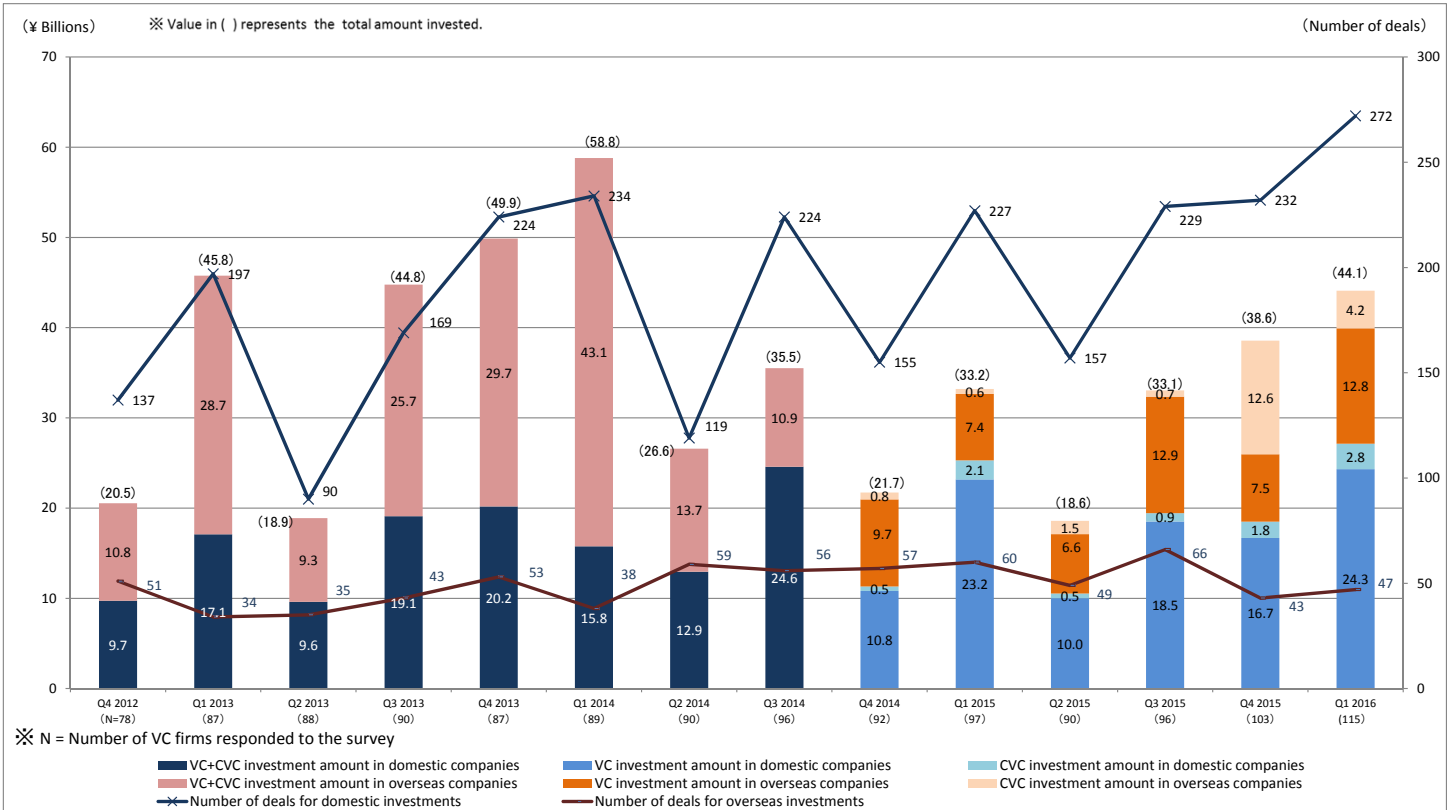
\*VC firms that responded a latest survey provided both figures of Q1 2015 and Q1 2016.

The figures presented in Figure 1-3 are not correspond to the figures presented in Table 1. The figures below were calculated based on investment amount and number of deals of Q1 2015 survey.

<Figure 1>Quarterly Trend of VC and CVC Investments in domestic companies



<Figure 2>Quarterly Trend of VC and CVC Investments

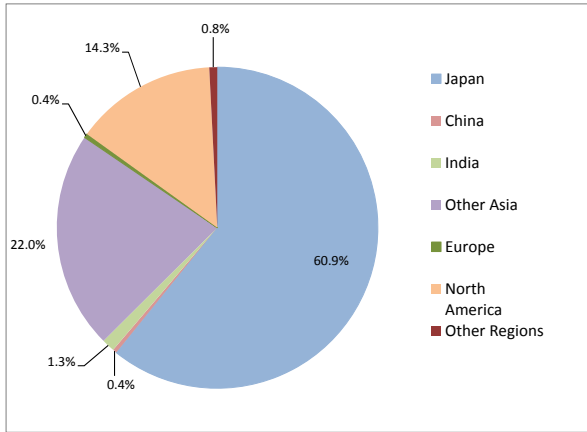


<Figure 3>Comparison of VC investments in 2013-2015

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
CY2013	<b>¥159.3 billion, 845 deals</b> Domestics: ¥66.0 billion, 680 deals Overseas: ¥93.3 billion, 165 deals												
CY2014					<b>¥142.7 billion, 942 deals</b> Domestics: ¥64.6 billion, 732 deals Overseas: ¥78.0 billion, 210 deals								
CY2015									<b>¥123.4 billion, 1,063 deals</b> Domestics: ¥73.8 billion, 845 deals Overseas: ¥49.6 billion, 218 deals				
CY2016													<b>¥44.1 billion, 319 deals</b> Domestics: ¥27.1 billion, 272 deals Overseas: ¥17.0 billion, 47 deals
FY2013	<b>¥172.3 billion, 886 deals</b> Domestics: ¥64.7 billion, 717 deals Overseas: ¥107.7 billion, 169 deals												
FY2014					<b>¥117.1 billion, 957 deals</b> Domestics: ¥74.2 billion, 725 deals Overseas: ¥42.9 billion, 232 deals								
FY2015									<b>¥134.3 billion, 1,095 deals</b> Domestics: ¥75.6 billion, 890 deals Overseas: ¥58.7 billion, 205 deals				

(Note) CY = Calendar Year, FY = Fiscal Year (April to March)

<Figure 4>VC investment amount by region in Q1 2016: Total of domestic and overseas (Percentage of JPY value invested)



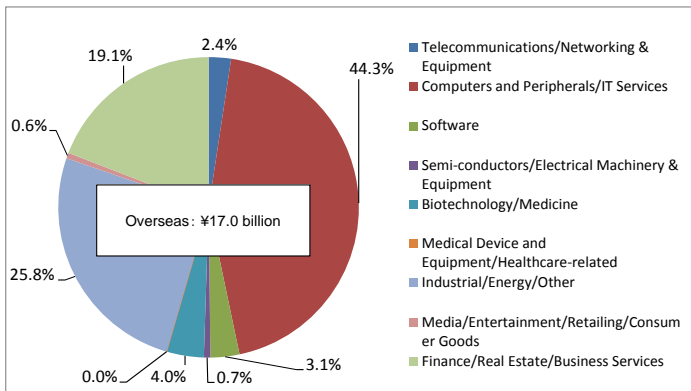
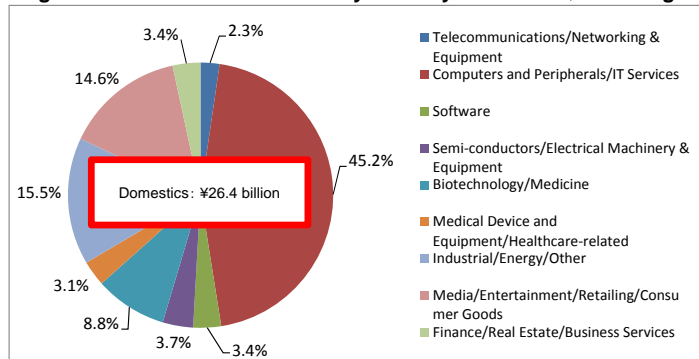
## 2. VC investments by Industry

<Table 2>Investment amount by industry in Q1 2016 comparing domestic and overseas

112 firms that provided figures for Q1 2016 are included in the calculation. ("0" is considered a valid response)

Industry	Domestic		Overseas		Total	
	Amount (¥ Bil)	Percentage	Amount (¥ Bil)	Percentage	Amount (¥ Bil)	Percentage
1. Telecommunications/ Networking & Equipment	0.60	2.3%	0.41	2.4%	1.02	2.3%
2. Computers and Peripherals/ IT Services	11.94	45.2%	7.51	44.3%	19.45	44.8%
3. Software	0.89	3.4%	0.52	3.1%	1.41	3.3%
4. Semi-conductors/ Electrical Machinery & Equipment	0.98	3.7%	0.11	0.7%	1.09	2.5%
5. Biotechnology/Medicine	2.34	8.8%	0.67	4.0%	3.01	6.9%
6. Medical Device and Equipment/ Healthcare-related	0.82	3.1%	0.00	0.0%	0.82	1.9%
7. Industrial/Energy/Other	4.11	15.5%	4.38	25.8%	8.48	19.6%
8. Media/Entertainment/ Retailing/Consumer Goods	3.85	14.6%	0.11	0.6%	3.96	9.1%
9. Finance/Real Estate/ Business Services	0.91	3.4%	3.24	19.1%	4.15	9.6%
IoT-related (Among the above)	0.31	1.2%	0.26	1.5%	0.57	1.3%
<b>Total</b>	<b>26.42</b>	<b>100.0%</b>	<b>16.96</b>	<b>100.0%</b>	<b>43.38</b>	<b>100.0%</b>

<Figure5>VC investment amount by industry in Q1 2016(Percentage of JPY value invested)



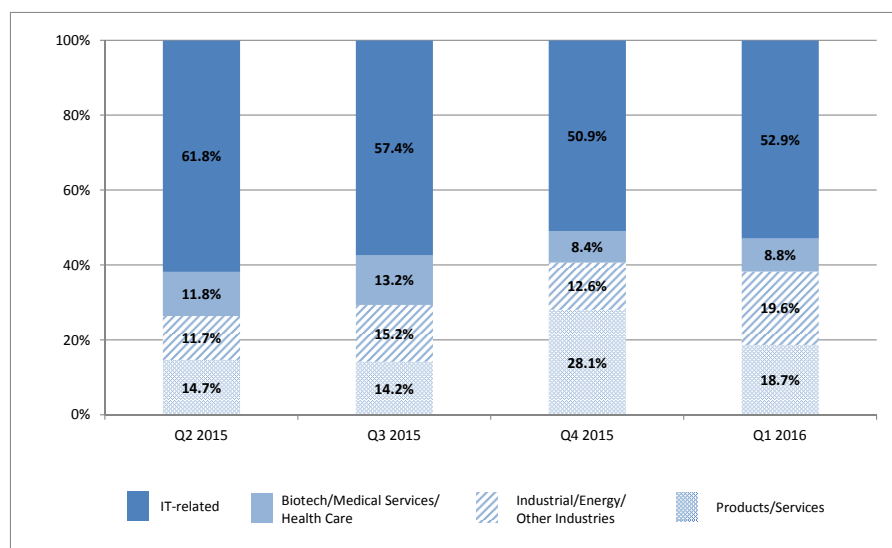
<Table 3>VC investments by industry comparing Q4 2015 and Q1 2016: Total of domestic and overseas

Q4 2015: 102 firms that provided both figures of industrial breakdown and the total are included in the calculation. ("0" is considered a valid response)

Q1 2016: 112 firms that provided both figures of industrial breakdown and the total are included in the calculation. ("0" is considered a valid response)

Industry		Q4 2015			Q1 2016		
		Amount (¥Bil)	Percentage	Number of deals	Amount (¥Bil)	Percentage	Number of deals
IT-related	Telecommunications/ Networking & Equipment	4.17	11.2%	10	1.02	2.3%	9
	Computers and Peripherals/ IT Services	11.55	31.0%	102	19.45	44.8%	106
	Software	1.44	3.9%	19	1.41	3.3%	19
	Semi-conductors/ Electrical Machinery & Equipment	1.79	4.8%	17	1.09	2.5%	10
Biotech/Medical Services /Health Care	Biotechnology/Medicine	2.17	5.8%	23	3.01	6.9%	25
	Medical Device and Equipment/	0.97	2.6%	12	0.82	1.9%	13
Industrial/Energy/ Other Industries	Industrial/Energy/Other	4.70	12.6%	32	8.48	19.6%	45
Products/Services	Media/Entertainment/ Retailing/Consumer Goods	9.47	25.4%	25	3.96	9.1%	48
	Finance/Real Estate/ Business Services	0.99	2.7%	18	4.15	9.6%	29
IoT-related (Among the above)		0.61	1.6%	16	0.57	1.3%	9
Total		37.24	100.0%	258	43.38	100%	304

<Figure 6>Investment distribution by industry: Total of domestic and overseas (Percentage of JPY value invested)



### 3. VC investment by stage

<Table 4>Investment amount by stage in Q1 2016 comparing domestic and overseas

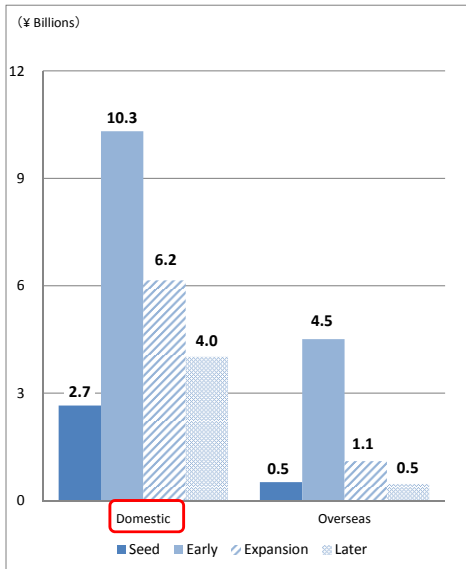
Q4 2015: 102 firms that provided figures are included in the calculation. ("0" is considered a valid response)

(¥ Billions)

Q1 2016: 112 firms that provided figures are included in the calculation. ("0" is considered a valid response)

Stage	Q4 2015			Q1 2016		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Seed	2.3	0.2	2.4	2.7	0.5	3.2
Early	6.1	1.5	7.5	10.3	4.5	14.8
Expansion	4.5	13.7	18.2	6.2	1.1	7.3
Later	2.3	0.0	2.3	4.0	0.5	4.5
Total	15.1	15.3	30.5	23.2	6.6	29.8

<Figure 7>Investment amount by stage in Q1 2016 comparing domestic and overseas



<Table 5>VC investments by stage comparing Q4 2015 and Q1 2016: Total of domestic and overseas

Q4 2015: 102 firms that provided both figures of stage breakdown and the total are included in the calculation. ("0" is considered a valid response)

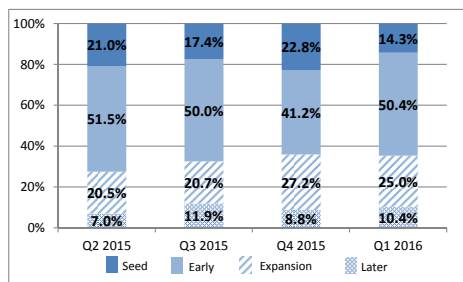
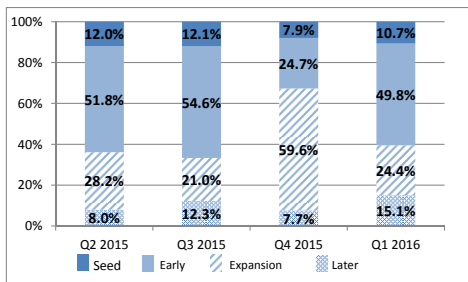
Q1 2016: 112 firms that provided both figures of stage breakdown and the total are included in the calculation. ("0" is considered a valid response)

	Q4 2015				Q1 2016			
	Amount (¥Bil)	Percentage	Number of deals	Percentage	Amount (¥Bil)	Percentage	Number of deals	Percentage
Seed	2.42	7.9%	52	22.8%	3.18	10.7%	40	14.3%
Early	7.53	24.7%	94	41.2%	14.83	49.8%	141	50.4%
Expansion	18.17	59.6%	62	27.2%	7.27	24.4%	70	25.0%
Later	2.35	7.7%	20	8.8%	4.49	15.1%	29	10.4%
Total	30.47	100%	228	100%	29.76	100%	280	100%

<Figure 8>Investment distribution by stage: Total of domestic and overseas

(Percentage of JPY value invested)

(Percentage of number of deals invested)





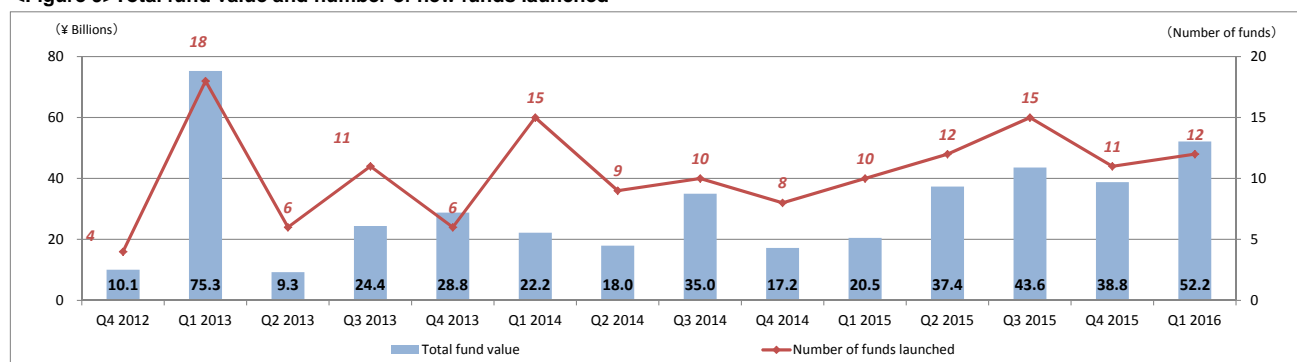
#### 4. VC funds

<Table 6>New VC funds launched and VC funds additionally invested in Q1 2016

115 firms that provided both figures of investment amount and number of deals for domestic and overseas are included in the calculation. ("0" is considered a valid response)

Q1 2016						
New VC fund launched				Follow-on		
Number of funds launched		Amount (¥ billions)		Per fund (¥ billions)		Amount (¥ billions)
12	Overseas investments among the left	52.2	Overseas investments among the left	43.5	48.9	5.7
	2		9.8			

<Figure 9>Total fund value and number of new funds launched



<Table 7>Total fund value and number of new funds launched :Converting to annual figures

	Total fund value (¥ billions)	Number of funds launched
FY2013: Q2 2013-Q1 2014 total	84.8	38
FY2014: Q2 2014-Q1 2015 total	90.7	37
<b>FY2015: Q2 2015-Q1 2016 total</b>	<b>172.0</b>	<b>50</b>

<Table 8>Breakdown of investor type for new funds launched in Q1 2016

111 firms that provided both figures of investment amount and number of deals for domestic and overseas are included in the calculation. ("0" is considered a valid response)

Investor type	Number of investors		Amount (¥ billions)		Per investor (¥ billions)
	Number	Percentage	Amount	Percentage	
GP/Managing partners	10	12.3%	1.1	4.1%	0.11
<b>Domestic total</b>	<b>66</b>	<b>81.5%</b>	<b>23.9</b>	<b>89.3%</b>	<b>0.36</b>
Family/Individual relatives	17	21.0%	2.3	8.5%	0.13
Other VC/Fund of funds	5	6.2%	0.6	2.2%	0.12
Corporations	19	23.5%	3.7	14.1%	0.20
Bank/Trust and credit unions	15	18.5%	4.5	17.0%	0.30
Insurance companies	3	3.7%	2.2	8.2%	0.73
Brokerage firms	1	1.2%	2.5	9.4%	2.50
Pension funds	3	3.7%	3.0	11.2%	1.00
Government/Local public bodies (non-pension)	2	2.5%	4.0	15.0%	2.00
Academic societies/Universities	1	1.2%	1.0	3.7%	1.00
Other domestic	0	0.0%	0.0	0.0%	-
<b>Overseas total</b>	<b>5</b>	<b>6.2%</b>	<b>1.7</b>	<b>6.5%</b>	<b>0.35</b>
<b>Total</b>	<b>81</b>	<b>100%</b>	<b>26.7</b>	<b>100%</b>	

<Figure 10>Percentage of amount invested in new funds by investor type

